

LIVINGSTON PARISH SCHOOL BOARD



COMPLIANCE AUDIT
ISSUED MAY 24, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

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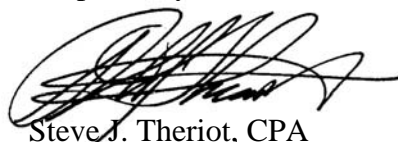
**MR. RANDY POPE, INTERIM SUPERINTENDENT,
AND MEMBERS OF THE LIVINGSTON PARISH
SCHOOL BOARD**
Livingston, Louisiana

We have audited certain transactions of the Livingston Parish School Board (School Board). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes. The purpose of our audit was to determine whether the Superintendent received an overstated annual leave payment before his official separation date and whether reasonable business practices exist to protect the School Board's assets.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the School Board's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Scott M. Perrilloux, District Attorney for the Twenty-first Judicial District of Louisiana, and others as required by law.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

GPL:DD:DGP:ss

[LIVSB]

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Altered Leave Records

On March 24, 2005, Mr. Warren Curtis, former Livingston Parish School District (District) superintendent, received \$98,589 as payment for 205.75 days of accumulated annual leave. This payment appears to have been made in violation of the Louisiana Constitution¹ and the District's policy as Mr. Curtis was still employed at the time of the payment. In addition, Mr. Curtis was not entitled to \$53,068 as a subsequent audit of his annual leave revealed that his leave records were altered resulting in the addition of 110.75 days of annual leave to his balance, and Mr. Curtis was absent from work nine days without taking leave. On May 16, 2005, Mr. Curtis reimbursed the District \$42,900 for 119.375 days of annual leave.

Annual Leave

In March of 2005, Mr. Curtis requested to be paid for his accumulated annual leave before his actual separation date. District policy states that "Upon retirement or termination, any unused accumulated annual leave days shall be paid to the employee at his/her daily rate of pay or may be credited to the employee for retirement purposes." Mr. Carey Jones, School Board attorney, researched the matter and concluded that "the payment of annual leave would be appropriate assuming the Board approved Mr. Curtis' leave and retirement application." Kathy Foster, payroll manager, stated that an annual leave severance payment has never been paid before the date of separation of employment. On March 24, 2005, the School Board accepted Mr. Curtis' retirement and his request for sick leave beginning April 13, 2005, until his contract ended on June 30, 2005, his effective retirement date. Mr. Curtis was issued a check, dated April 1, 2005, for a gross amount of \$98,589 for his accumulated annual leave balance. Because the payment to Mr. Curtis was made 90 days before his retirement, it may constitute an advance, which is a possible violation of Article 7, Section 14 of the Louisiana Constitution.

At the beginning of 2002, the District switched to a computer-based annual leave tracking system. According to District records and employees, Mr. Curtis' first entry totaled 56.375 days. In May 2005, during a review of Mr. Curtis' original employee attendance records, Payroll Department employees discovered Mr. Curtis' original employee attendance records had been replaced with altered copies. The altered copies indicated that Mr. Curtis' annual leave balance totaled 156.375 days at the time the District switched to the computer-based tracking system. Mr. Randy Pope, superintendent, and Mr. Jones notified the Legislative Auditor after discovering the documents were replaced with altered copies. Mr. Jones found that 100 days were added to Mr. Curtis' handwritten leave balance. In addition, 10.75 days were incorrectly included because of a calculation error. According to Ms. Debbie Duffy, executive secretary, who calculated and documented each employee's leave balance, the number one in front of the number 56 does not appear to be her handwriting.

¹ **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

After receiving his annual leave payment on April 1, 2005, there is no evidence that Mr. Curtis returned to the District for his remaining nine workdays before his sick leave began on April 13, 2005. In a letter dated June 20, 2005, we asked Mr. Curtis to explain his work activities during the nine days before his sick leave; Mr. Curtis did not respond to our inquiry. In a letter received by the District on July 11, 2005, Mr. Curtis informed the School Board that he had submitted leave slips for seven of these days (“... Easter workdays and the following week . . .”) and requested sick leave for the remaining two days. By July 11, 2005, Mr. Curtis was already paid his accumulated annual leave and retired from the District. Therefore, Mr. Curtis could not submit leave slips for the nine-day period and as a result was paid \$4,313 for time he did not work and for which appropriate leave was not available to be taken.

We compared Mr. Curtis’ approved leave slips to the copies of his employee attendance records and noted the following:

- Two hundred leave slips did not have corresponding entries in Mr. Curtis’ employee attendance records (copies), thereby improperly increasing his accumulated leave balance.
- Thirty attendance record entries appear to be deleted and have no supporting leave slips.
- All attendance record sheets for Mr. Curtis appear to be altered.
- Mr. Curtis’ records are the only copies in the attendance record book; all other records are originals.

We recalculated Mr. Curtis’ leave balance by using leave slips submitted during the period July 1985 through July 2005. Our calculation indicates that Mr. Curtis’ leave balance ending March 24, 2005, totaled 95 days, not the 205.75 days he was paid. Based on this calculation, Mr. Curtis should have received \$45,521 in accumulated annual leave after separation. However, he was paid \$98,589, a difference of \$53,068. On May 16, 2005, based on the District’s recalculation of his annual leave balance, Mr. Curtis reimbursed \$42,900 for 119.375 days of accumulated annual leave to the District. Mr. Curtis stated that he has never handled, changed, or made entries to his annual leave records nor does he know how the altered leave documents became substituted for original records. Mr. Jones indicated to us that an unknown person was trying to discredit Mr. Curtis.

Sick Leave

On September 5, 2002, Mr. Curtis entered into the Deferred Retirement Option Program (DROP). Under the DROP, employees who are eligible for retirement can continue to work while their retirement benefits are deferred. The Payroll Department was required to complete an accounting of Mr. Curtis’ sick leave for the Teachers’ Retirement System to be used in calculating his retirement benefits. Ms. Robin Lee, retirement clerk, stated that while reviewing payroll documents to complete the accounting of sick leave, she noticed a sick leave balance sheet used to total Mr. Curtis’ sick leave from 1973 to 1981 had been altered to indicate that no

sick leave was taken during those years. She recalled questioning the document because of obvious erasures and scratch outs.

In June 2005, the Payroll Department, at the request of the Legislative Auditor, completed an audit of Mr. Curtis' sick leave and resubmitted a revised accounting to the Teachers' Retirement System. The audit on Mr. Curtis' sick leave indicated that he used 42 days of sick leave during the period listed on the altered document.

We recommend the District reconcile approved leave slips to recorded leave during periodic audits of employees' leave balances. The District should follow its annual leave policy by paying unused accumulated annual leave upon retirement or termination of the employee or credit it to the employee for retirement purposes.

Live Oak High School

During the 2003/2004 and 2004/2005 school years, Ms. Micia Hood, former Live Oak High School (LOHS) bookkeeper, used school checks and school credit card checks to issue payments totaling \$4,051 to her personal mortgage company and \$1,633 to her son that appears to be payment for work he did not perform and for expenses he did not incur. In addition, an analysis of funds collected compared to funds deposited indicates that \$18,973 of school revenues was received but not deposited.

Payments to Mortgage Company

During June 2005, School District auditors noted that checks were written against the school credit card account as cash advances and requested that Ms. Hood obtain copies of the cancelled checks from the credit card company for their examination. Mr. John Curtis (LOHS principal) stated that on June 30, 2005, Ms. Hood told him she wrote a school credit card check to her personal mortgage company and signed his name on the check. Records obtained from the credit card company indicated that from January 29, 2004, through June 15, 2004, Ms. Hood issued two credit card checks totaling \$4,051 to her personal mortgage company. Ms. Hood continued to work at the school until she resigned on July 20, 2005. By November 2005, Ms. Hood made full restitution for the improper mortgage payments totaling \$4,051.

Funds not Deposited

LOHS receives funds from various sources including the District office, teachers, and students. As a means of accounting for funds received by the school, District policy requires pre-numbered receipts to be issued when the funds are received. District policy requires the funds to be deposited daily or as soon as possible into the school's bank account. Ms. Hood was the bookkeeper at LOHS from 2001 through July 2005. She was in charge of issuing school checks, receiving funds from all sources, posting amounts received to the school's general ledger, depositing funds to the school's bank account, and reconciling monthly bank statements.

According to school records, during the 2003/2004 and 2004/2005 school years, LOHS collected funds totaling \$897,721 and deposited \$878,928 into the school's bank account; a shortage of \$18,973. Although Ms. Hood stated she made daily deposits and did not keep large amounts of

cash on hand, school records indicate otherwise. According to records within the two-year period, collections were held for up to two weeks before Ms. Hood deposited them into the school bank account.

Replaced Funds

As funds are collected, receipts are written for the amount collected. Each receipt is then credited to the proper activity account based on the source of the funds. For example, softball gate revenue, softball concession revenue, and Key Club dues receipts would be credited to their respective activity accounts. When the funds are ready for deposit, a batch deposit report is generated detailing each activity account credited and the total amount of money to be deposited into the school's bank account.

During the two-year period, Ms. Hood issued five credit card checks totaling \$6,950 and deposited them into the school account. We examined the bank deposits that included these credit card checks and compared them to the receipts issued by Ms. Hood and the activity accounts credited. These checks are not a source of revenue; they are considered a cash advance on the school credit card. It appears the checks were written, forged, and deposited to cover revenues previously collected but not deposited. For example, Ms. Hood issued a credit card check to cash, totaling \$3,500, and included it in the January 26, 2005, deposit. The batch deposit report for this date shows that Ms. Hood posted \$8,607 in receipts to 24 different activity accounts. The bank deposit detail indicates that the amount deposited was comprised of cash and checks totaling \$5,107 and the \$3,500 credit card check. Although the check appears to be signed by Mr. John Curtis, he stated that the signature was not his, and he did not issue the check. Ms. Hood could not provide an explanation as to why these five checks were written and deposited into the school account. Ms. Hood also stated that if she took the money, she does not remember doing so but will make restitution if it is needed.

During the same period, \$25,142 in School Board checks issued to LOHS were either not receipted or incorrectly receipted and then incorrectly posted to accounts on the general ledger. Because of incomplete documentation, we were unable to determine if the checks were used to replace revenues previously collected but not deposited.

Checks issued to Eric Hood

According to school records, eight checks totaling \$5,291 were issued to Mr. Eric Hood, Ms. Hood's son, during the 2003/2004 and 2004/2005 school years. School records indicate that Mr. Hood was paid for assistant coaching, weight room monitoring, and miscellaneous expense reimbursements by LOHS and not the District. Although most of these checks appear to be signed by Assistant Principal Curtis Varnado, Mr. Varnado confirmed that signatures on four of the checks, totaling \$2,113, were not his signature.

Of the four checks, two checks for \$700 and \$933 (\$1,633) do not have supporting documentation and appear to be for work not performed or for expenses not incurred. Mr. Hood stated that he believes one handwritten check, totaling \$700, was a reimbursement for travel expenses to attend a three-day football coaching clinic at the University of Louisiana at Monroe. The LOHS's head football coach stated that Mr. Hood's expenses for the football coaching clinic

would not have exceeded \$225. It appears that Mr. Hood was reimbursed for these expenses with a previous check totaling \$330. Mr. Hood could not recall why he received the remaining handwritten check totaling \$933. According to school records, this check was written for monitoring the weight room. In addition, according to Ms. Hood and Mr. Hood, he was never issued an Internal Revenue Service Form 1099 Miscellaneous Income from LOHS.

We recommend that LOHS segregate the duties of receiving and depositing money, posting entries to the general ledger, and reconciling the school's bank account to the extent possible. We also recommend that the District follow its supplemental pay procedures by making contract payments directly to employees.

Improper Travel Reimbursements

Las Vegas, Nevada

Ten District employees and four of their spouses traveled to Las Vegas, Nevada, for the Association of Career and Technical Education training conference in December 2004. In September 2004, the District purchased the spouses' airfare. In October 2004, two of the three employees, Lyn Easley, director of curriculum, and Tracy McRae, current vocational education supervisor, reimbursed the District for their spouses' airfare. On July 12, 2005, after being questioned about the airfare, Mr. Jerry Morgan, vocational education supervisor, reimbursed the District \$299 for his spouse's airfare.

During the conference, Mr. Warren Curtis purchased meals totaling \$715 for himself, his employees, and their spouses. He was reimbursed by the District for these meal purchases based on the actual receipts and his hotel bill. Mr. Curtis also received meal per diems for this trip totaling \$170 that were claimed on a second reimbursement for the same expenses.

The District may have violated Article 7, Section 14 of the Louisiana Constitution by (1) purchasing airfare for employees' spouses and allowing employees to reimburse the District at a later date, (2) purchasing meals with public funds for employee spouses, and (3) reimbursing Mr. Curtis twice for the same meal expenses. In addition, Mr. Curtis did not comply with the District's travel policy by failing to consistently (1) list the names of the persons attending meals, (2) state the reason for the purchase, and (3) attach the actual receipts to his expense reimbursement form.

Lake Buena Vista, Florida

Mr. Curtis and four school board members traveled to Lake Buena Vista, Florida, in March 2004 to attend the National School Board Conference. The total cost of meals for all five attendees on this trip was \$1,582. According to the District's travel policy, five travelers over the five-day period could be reimbursed up to \$1,050 (\$42/person/day at five days each) for out-of-state meal expenses, which is \$532 less than what they were actually reimbursed.

Improper Use of Credit Cards

The superintendent, two of the assistant superintendents, and the purchasing agent are provided District credit cards. In addition to the four credit cards at the District's central office, approximately 141 credit cards are dispersed among 39 Livingston Parish schools. Based on documentation reviewed, we noted the following deficiencies with the District's credit card usage:

Meals Purchased Without Supporting Documentation

We reviewed the District's credit card statements and supporting documentation from July 2003 to April 2005. During this period, we noted at least 26 meals, totaling \$6,427, with inadequate supporting documentation. Proper documentation would include an itemized receipt, a list of the persons participating in the meal, and a description of the public purpose for the meal.

Individual School Credit Cards

During the 2004/2005 school fiscal year, the schools charged a total of \$896,549 to credit cards. These charges were missing items of documentation including credit card charge authorization receipts, itemized receipts during travel and for meals, and documentation indicating who traveled or attended meals.

The schools also incurred late payment fees, finance charges, over the limit fees, and express payment check fees. Furthermore, LOHS incurred cash advances totaling \$16,075 and cash advance charges totaling \$775. According to Mr. Pope, the Central Office does not track the credit cards each school has and considers it the responsibility of the schools to manage their own credit cards.

We recommend the School Board adopt detailed policies and purchasing procedures for the use of School District credit cards. These policies should provide guidance for the business use and supporting documentation expected to be maintained. Neither the credit card charge authorization receipt nor the credit card statement alone is adequate documentation, as it does not provide sufficient detail to support the propriety of charges. This policy should require:

- (1) documentation of the business purpose for the expenditure;
- (2) itemized bills from meals, as well as a list of those people attending the meals;
- (3) timely submission of original receipts--two weeks from the ending travel date or the date of purchase;
- (4) an approved requisition and detailed receipt for the purchases of materials and supplies; and
- (5) all credit card checks should be shredded.

We further recommend that all individuals who receive a School District credit card sign a statement, at issuance, documenting receipt of the card and certifying their understanding of the credit card policies and procedures. This document should be kept on file at the District office.

Inadequate Controls Over Supplemental Pay

Mr. David Colar is a full-time employee of the District. Mr. Colar's job is to deliver textbooks from the warehouse to District schools. The District contracts with individuals for collecting and disposing raw garbage generated by school cafeterias. From September 13, 2003, to June 2, 2005, the District contracted with Mr. Colar and paid him \$13,060 for collecting and disposing raw garbage from eight of the District's schools. According to several school-based employees, Mr. Colar has been seen collecting garbage during his normal work hours using the District's delivery van. According to Mr. Colar, from time to time he does collect garbage during his normal work hours in the District's van.

Mr. Fred Banks, warehouse supervisor, indicated that Mr. Colar does not sign out of the warehouse while making deliveries nor does he record the vehicle's mileage per delivery. In addition, no control is in place to determine the date and time that Mr. Colar makes a school delivery.

District records indicate that the central office reimbursed Westside Junior High School (Westside) \$1,200 on March 3, 2005, for stripping and waxing floors at Westside. Documentation attached to the check indicated that Westside issued payment for \$1,200 to Mr. Colar for stripping and waxing floors from July 17, 2004, to July 18, 2004. The District did not follow its supplemental pay procedure and reimbursed Westside instead of making the payment directly to Mr. Colar through his payroll check. As a result, the \$1,200 paid to Mr. Colar by Westside was not reported to the Internal Revenue Service by the District.

We recommend that all delivery personnel be required to sign in and out and log their deliveries including time of delivery and beginning and ending odometer readings. If the District continues to contract with its employees, we recommend the schools ensure that contract work is not performed during the employee's normal work hours. We also recommend that the District follow its supplemental pay procedures by making contract payments directly to employees.

Weak Business Practices

Financial Reporting to the School Board

Management does not provide financial statements and budget variance information to the School Board each month. The School Board's current policy requires the superintendent to furnish it with semiannual financial statements and other financial information as requested. We recommend the School Board amend its written policy to include the preparation of financial statements and budget comparisons for all funds on a monthly basis.

LIVINGSTON PARISH SCHOOL BOARD

Cellular Phones

No written policies or procedures exist for the use and care of cell phones. We reviewed the District's cell phone bills for the 2004/2005 school year and noted several District employees exceeded their allotted monthly minutes and did not reimburse the District. In particular, Mr. Mike Curtis, an employee of the School Board, exceeded his monthly plan on five occasions by a total of 1,660 minutes resulting in charges totaling \$530. In each of these months, Mr. Curtis certified that the overages were due to personal use but did not reimburse the District.

The District should immediately adopt and implement policies and procedures to govern the use and care of cell phones to include the following:

1. Issuance to employees based on duties and responsibilities
2. Monthly reviews of cell phone bills by employees to identify personal calls
3. Reimbursement of personal calls at a flat rate
4. Timely reimbursement of overage charges to the District
5. Annual review of the cell phone contract

Capital Assets

District assets are generally purchased through the central office and received in the central office warehouse. Once received, a fixed asset addition form is completed denoting the tag number, description, serial number, model, purchase date, and cost. According to policy, at the end of each school year each school is required to perform an inventory and evaluation of school property. Schools were instructed to inventory items valued over \$1,000 and items sensitive to theft.

On the weekend of January 29, 2005, Mr. Warren Curtis purchased two laptop computers totaling \$3,136. Mr. Curtis' completed credit card information forms indicate that one computer was a replacement computer for Westside Junior High School Science Department where his son, Mark Curtis, teaches, and the other computer was purchased for the Westside Junior High School English Department, where his daughter-in-law, Chasity Curtis, teaches.

We were able to locate the two laptop computers at Westside Junior High School. However, because the computers were not purchased through the District's normal purchasing procedures and received at the central office warehouse, the computers were neither tagged nor included on the District's inventory of capital assets. We recommend that the District follow its normal purchasing procedures by receiving equipment at the central office warehouse so that the asset can be tagged and inventoried in a timely fashion.

Bank Reconciliation

During our audit, we noted reconciliations of the District's bank account are performed monthly by an accounting clerk. The clerk also collects and receives various types of revenue and payments to the District, prepares some deposit slips, makes all bank deposits, and posts entries into the general ledger.

A lack of proper segregation of duties could allow errors or irregularities to go undetected during the normal course of business. We recommend the District and schools segregate the duties of receiving money, depositing money, posting entries to the general ledger, and reconciling the District's and each school's bank account to the extent practical.

Records Retention

Although the District's central office employees do not prepare time sheets, they are required to sign a form indicating whenever entering or exiting the premises. The forms are disposed of after being reconciled to employee annual/sick leave slips. The District's policy states that payroll records shall be retained in accordance with applicable federal requirements. The District should amend/change its policy to also retain records in accordance with state law. Disposing of District sign in and out forms may violate Louisiana Revised Statute 44:36.²

This information has been provided to the District Attorney for the Twenty-first Judicial District of Louisiana as required by law. The actual determination as to whether an individual is subject to a formal charge is at the discretion of the district attorney.³

² **Louisiana Revised Statute 44:36** provides, in part, that all persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified in formal retention records developed and approved by the Secretary of State. In all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made.

³ **Louisiana Revised Statute 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

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The Livingston Parish School District was created by Louisiana Revised Statute (R.S.) 17:51. The District is authorized by R.S. 17:81 to establish policies and procedures consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of nine members who are elected from nine districts for four-year terms. The School Board operates approximately thirty-six schools. In addition, the School Board provides transportation and school food services for the students.

The procedures performed during this examination consisted of the following:

- (1) interviewing employees and officials of the School Board;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the School Board;
- (4) performing observations; and
- (5) reviewing applicable state laws and regulations.

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Management's Response

CAREY THOMPSON JONES

ATTORNEY AT LAW

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Mr. Steve Theriot
Office of Legislative Auditor
1600 N. Third Street
P.O. Box 94397
Baton Rouge, La. 70802

Re: Livingston Parish School Board
Draft Audit Report

Dear Mr. Theriot:

Enclosed is a signed version of the response of the Livingston Parish School Board to the unsigned draft report of audit findings provided by your office. I had been in trial this week and mid-week received a message from the School Board that your office requires a signed copy. I am a little uncomfortable giving a formal response to an unsigned draft of an opinion, but I trust that if any revisions are made to the draft, the School Board will be given an opportunity to amend or supplement their response. For example, I omitted any comment on retirement parties with the understanding that that portion of the draft report would be omitted from the final report.

You will note some changes in the final signed version of the response, a couple cleaning up the original response and some based upon additional information that I have continued to receive since drafting the original response.

If you need anything further, please do not hesitate to contact my office.

With kindest personal regards, I am,

Sincerely yours,



Carey T. Jones

Enclosure

SCHOOL BOARD RESPONSE TO DRAFT OF LEGISLATIVE AUDITOR'S REPORT OF AUDIT FINDINGS

This is a response on behalf of the Livingston Parish School Board to an unsigned draft report of audit findings and conclusions of the Legislative Auditor's Office. It has been represented by the Legislative Auditor's Office that the draft opinion will undergo some changes and that one or more areas discussed in the draft will be omitted in the final report. With that understanding, the School Board's response to the draft is as follows.

At the outset, the School Board would like to thank the Legislative Auditor's Office for the work it did on the School Board's behalf. The Board is aware that the Auditor's task was difficult. Many of the records reviewed were from an earlier era when the school system was small and collegial reflecting the record keeping practices of another time. Several of the Auditor's observations were instructive, and the Board believes that it will profit from the Auditor's suggestions and recommendations.

Still, in a few instances, the Board might reach different conclusions on the available evidence than did the Auditor. Frequently, the draft report draws accusatory conclusions from the records when an innocent explanation is just as sensible and more likely correct. In those instances, the School Board would like to express its view.

Taking in turn the items discussed by the Auditor in his report:

Timing of Payment on Annual Leave

State law says that annual leave or vacation time is earned at the time it accrues, and it cannot be taken away from the employee once earned. The leave thus belongs to the employee when earned. The same statute requires payment for all annual leave and vacation time that is not used up at the end of the employee's employment.

In the case of retiring Superintendent, Mr. Warren Curtis, he was leaving his employment with the School Board effective March 24, 2005. Mr. Curtis' doctor reported to the Board that Mr. Curtis suffered from diabetes, and his condition was such that he would be unable to continue serving as Superintendent any longer. On that same date, the School Board accepted his final resignation for purposes of retirement to be effective June 30, 2005.

Before leaving, Mr. Curtis requested payment for his accrued vacation pay. Upon getting the request and before making payment, the School Board's Business Manager asked the Board's attorney for a legal opinion on the propriety of the payment. The Board attorney advised that there was nothing in the law prohibiting payment to Mr. Curtis under the particular circumstances involved. The legal opinion given to the Business Manager was as follows:

“Based upon the circumstances you describe, particularly the medical opinion to the effect that Mr. Curtis suffers from a degenerative disease that will prevent him from returning to work, I think that the approval of retirement with the acceptance of Mr. Curtis resignation is such an irrevocable step that Mr. Curtis will be unable to ever return to employment. He will be effectively separated from employment with the School Board as of March 24, 2004. Hence, the payment of annual leave that has been fully earned under the statute [R.S. 23:631] is not prohibited by any statement of positive law that I was able to find. The payment of annual leave is “pushing the envelope” under the Board’s policy, but even the policy provides for payment “upon retirement or termination”, and if the Board accepts Mr. Curtis’ resignation and application for retirement, it can be said that the policy has been triggered.”

Based upon that legal opinion, payment was made to Mr. Curtis for his accrued annual leave.

The Board considers it unfair for the Auditor to suggest that the School Board “may” have violated a rule against a loan or pledge of funds. The suggestion of wrongdoing by innuendo does not seem to the Board to be a function of the Auditor’s office.

The School Board believes that in the final analysis, the School Board Business Manager asked for a legal opinion before acting and relied upon that legal opinion before making payment for accrued annual leave. It is hard to see what additional precautions the School System could have taken to make sure that what was proposed is legally permissible.

Altered or Reconstructed Leave Records

At some point before his retirement, Mr. Curtis’ annual leave records were replaced in the book where the School Board keeps leave records. The replacement of the records resulted in an overpayment for leave time. This is the most perplexing area in the records review, and guessing about what happened with the records has not moved things very far by way of explanation.

What happened with the records was this:

Before any School Board employee leaves or retires, the personnel office goes back and checks all of the employee’s leave time to make sure that the total time shown on the computer is correct. When the personnel office checked Mr. Curtis’ annual leave and sick leave records, it was obvious that some of the older records had been changed in Mr. Curtis’ favor so that annual leave was overpaid. The School Board sat down with Mr. Curtis and went over the error. Once the error was shown to him and explained to his satisfaction, he wrote a check back to the School Board for the amount of the overpayment. The School Board asked the Legislative Auditor to look at the records and try to put together how the leave records may have been changed.

Annual Leave Records

Early on, the School Board recorded annual leave records on sheets of paper in a plastic binder that was kept in the School Board's central office. The binder had a one page calendar for each employee for each year divided into small blocks for each day of the year. When a day of leave was taken the employee turned in a leave slip and a pencil mark was made on his or her calendar to show that leave had been used for that day. At the end of each year, the total number of days for that year used was entered on the calendar. The unused leave then carried over from year to year. Back at that time, only a limited number of administrative employees (principals on up) earned annual leave.

In 2002 the annual leave totals from the binder were entered into the computer for each employee, and annual leave has been kept on the computer ever since. The binder was shelved away somewhere in the School Board office, and the only time anyone used it was when an employee retired, and someone went back to the old leave book to verify annual leave totals.

When the records in the binder were checked for Mr. Curtis, it was apparent that his records had been replaced with copies that were substantially and obviously altered. His records were copies; all other records for all other employees were originals. The records had been copied on paper that was noticeably brighter than all of the other records. Some of the pencil marks were whited out in an obvious fashion. The totals on annual leave were whited out and changed. In one year, Christmas Day was marked as a day on which annual leave had been taken. The alteration netted Mr. Curtis about 100 additional days of accumulated annual leave.

No evidence was found to explain the alterations, but over time, there seemed to be, at least, two possible explanations.

1. The records were changed to defraud the School Board.

The first thought on finding altered records that give the employee a benefit is that the employee or someone acting for him changed the records. It is clear that the altered records removed about 100 days of leave used by Mr. Curtis so that he ended up being paid for more accrued annual leave than he should have been.

But, the fraud theory does not bear up under scrutiny. The annual leave days were marked in pencil on the original records. Mr. Curtis could have just erased some pencil marks and been done. The records found in the binder were copied over on a different shade of paper and painted up with white out marks that could hardly escape notice. A monkey with a paintbrush could have done a better job of forging the records. Mr. Curtis, who had been in personnel for years, would have known that these records would be caught on review.

2. The alteration was calculated to discredit Mr. Curtis.

This theory fits the facts. The records were doctored in such an obvious fashion that they were

virtually certain to be detected and questioned. At the least, Mr. Curtis would have suffered extreme embarrassment on his way to retirement.

The problem with this theory is that Mr. Curtis was well-liked and well-respected. The School Board has not identified anyone with a grudge against Mr. Curtis. Obviously, an unhappy employee cannot be totally discounted as an explanation, but the School Board has no evidence for this theory beyond the records themselves.

However and for what reason the records were changed, three points are key here -- the change in the records was caught in the final review of accounts for Mr. Curtis retirement, the School Board has now computerized its leave records, and the remaining records in the leave book have been verified.

As to the amount of any overpayment of leave, the School Board personnel office calculated the amount of the overpayment, and the Board stands by the work done by its personnel office.

Sick Leave Records

Mr. Curtis' sick leave records were similarly whited out. However, because employees are paid for only 25 days of their accumulated sick leave, no money was payable to Mr. Curtis as a result of the changes in the sick leave records. The error was straightened out with the Retirement Board. Again, the key from an audit standpoint is that the School Board controls caught the error and corrected it.

Accounting Problems at Live Oak High School

The School Board found irregularities in accounting at Live Oak High School during a routine school Audit in 2005 and brought the irregularities to the Legislative Auditor's attention for further evaluation. The audit report sets out the Auditor's findings and conclusions. The School Board will go back and verify the findings to see if any repayment of money is indicated.

At the time these incidents occurred, the School Board had procedures in place covering the receipt and deposit of funds that, if followed, would have prevented the purported mishandling of funds in this instance. These procedures were simply not followed for a period of time at Live Oak.

The Board does not try to excuse the lapse in procedures. However, it would note that Micia Hood had proven to be such a conscientious and trusted employee at Live Oak that customary accounting safeguards were relaxed to a degree over the years. Again, without trying to excuse Mrs. Hood for any involvement that she may have had with unaccounted for monies, the School Board is informed that an unusual medical condition may have had an affect on these matters.

The Board would also point out that Mrs. Hood has been helpful and cooperative in the audit process. The School Board expects to continue working with Mrs. Hood and others at Live Oak. In the future, following procedures will be made a key part of administrative duties at the local

school level.

The Board thanks the Auditor's Office for their work on this issue.

Travel Reimbursements

For the Las Vegas training conference, the meal reimbursement for the 10 employees does not appear to have been exceeded. However, the School Board agrees that the persons present at the meal could have been listed in some fashion even though there may have been 15 to 20 people present. Additionally, the charges could have been better receipted.

The statement that the School Board paid for spouses' air fare is partially true but needs to be corrected in several respects. Of the 10 employees who went to the convention, 7 of the 10 had their spouses accompany them. Of the seven, 3 used School Board credit cards to purchase the tickets. 2 of the 3 immediately reimbursed the School Board when the bill came in. The third reimbursed the Board when the issue was brought to his attention.

While the School Board agrees that the travel costs and expenses for spouses not employed by the School Board should ordinarily be paid with personal funds rather than School Board funds, two of the employees made reimbursement immediately, and the third employee made reimbursement as soon as the matter was pointed out to him. The issue was thus resolved.

With respect to meals charged, it does not appear from the records that the meal allowance permitted by the School Board travel policy was exceeded. Additionally, Mr. Curtis reimbursed the School Board for the cost of his wife's meals when the issue was pointed out to him, which, again, resolved any issue in this area.

As to the National School Board Conference, meal reimbursement was made for actual receipted costs. The expenses were for Board members and employees only.

Usage of Credit Card

The School Board disagrees with the implication that credit cards were "improperly" used. Some documentary detail for credit card usage could have been improved for certain expenditures, but the Board has not seen any evidence that a credit card was "improperly" used in this section of the report.

Meals Purchased Without Proper Documentation

The Auditor's report asserts that at least 26 meals totaling \$6,427 were not fully documented. The phrasing in the report is, at best, misleading. If 26 meals cost a total of \$6,427, that's about \$247 per meal. Obviously, this statement exaggerates the real issue, which is simply poor documentation.

More accurately stated, the School Board used credit cards to purchase meals on at least 26 occasions at a total cost of \$6,427. The statement is not as attention grabbing as the draft report, but it has the advantage of being accurate.

Frequently, principals meetings go through lunch, and meals are brought in. The same is true for teachers when they work days that the lunchroom is closed. The Board holds day long retreats where lunch is provided by the Board. There are many occasions when the School Board provides meals for a large number of employees.

The School Board is aware that persons attending meals should be identified on receipts to ensure that money for meals is properly spent. However, it is sometimes difficult to list attendees at large events, and the better practice might be to simply reference the event, such as "Principals Meeting, September 10, 2005".

Individual School Credit Cards

The School Board agrees that the procedures for purchasing and for credit card use at the individual schools need to be improved. In fact, the School Board's local auditor had outlined a set of procedures for that purpose, and those recommendations are currently being implemented in the schools.

Purchasing procedures, including purchases with credit cards, is a complex area in school administration, and greater attention to purchasing methods at the local school level will improve compliance in this area.

The Auditor's suggestions in this area are helpful.

Inadequate Controls for Supplemental Pay

The Auditor's recommendations in this area are well-taken, and the School Board has implemented controls to ensure that regular employment duties are properly segregated and accounted for.

Weak Businesses Practices

Financial Reporting to the Board

The Board agrees that more frequent reporting and better communication with the Board on financial matters along the lines described in the Auditor's report is a good idea.

Cell Phones

Cell phone packages include a defined volume of use (usually in number of minutes) for a set rate. In the marketplace, the set rate for volume of use is constantly changing, and keeping pace with the

market and tailoring packages to fit individual employees is difficult. The central office did a pretty good job of it, but the packages were not uniform and in some cases were not adjusted to keep pace with a particular employee's usage.

When the allowable usage (number of minutes) were exceeded for a given month, the School Board was charged an additional amount based upon the number of minutes over the set rate. Where "personal" use resulted in additional billing over the set rate, the general practice was to collect the overage from the employee, even though most of the additional minutes may have been business minutes.

Adding to the difficulty in this area is a workable definition of "personal use". For example, if work takes an employee away from home, calls home may be defined as a business call because school board business necessitated the call. The same would hold true for calls to arrange transportation for a child or other calls that would not have occurred but for the fact that the employee is on school board business. The phone is furnished to the employee to enable the employee to conduct school board business, and arranging "personal" matters by using the cell phone frequently puts the employee in a position to continue his or her service to the Board..

On the other hand, where a discretionary call, such as ordering a new HDTV with an LCD and Surround-Sound, takes the employee over the usage limit, this may be deemed personal use of a cell phone, and the employee ought to pay for that particular charge. This is true, of course, unless buying the TV by cell phone allows the employee to stay at work after hours to finish a project instead of going to Best Buy after work to get the TV. In short, "personal use" depends upon the circumstances, and defining "personal use" is not a clear-cut thing. Each call must be examined before anyone can conclude that personal use of a cell phone occurred.

As to usage by Mike Curtis over his monthly minutes, the excess usage resulted from an oversight in adjusting Mr. Curtis' cell phone plan. Mr. Curtis, who uses a cell phone out of the office and after hours for the collection of sales taxes, had been identified as a high user, and a recommendation was made to adjust his plan.

The oversight in adjusting Mr. Curtis plan is explained in an email from Ms. Sandra Brewer dated May 5, 2005, which is attached as Attachment A. After receiving the May 2003 cell phone bill for Mr. Curtis, Ms. Brewer asked Mr. Pope whether Mr. Curtis plan should be adjusted to increase his minutes. Mr. Pope told her to give it one more month and then we'll decide. See Attachment B. However, his minutes were not adjusted the next month nor thereafter.

With regard to the certification of personal use referenced in the Auditor's report, the purported "certification" was reviewed with Mr. Curtis. Attached are copies of two of the certification forms that were signed by Mr. Curtis. (Attachments C and D). On one, he signed in the first blank, which says that the cell phone was used over allowable minutes for personal use; on the other, he signed that all of the usage was for business purposes. Mr. Curtis explained that he signed the form on one of the two signature lines when the form was presented to him, and he did not intend any

acknowledgment that the calls were personal in nature. Had they been, he would have attached a check to pay for any personal use.

Looking at the form that Mr. Curtis signed, it is admittedly ambiguous.. First, it calls for a "Signature" with a blank line for signing. Then, it calls for a "Supervisor Signature" in the lower blank. Handed the form each month, the employee had to choose to sign in the "Signature" space and in so doing, acknowledge personal use, or sign in the "Supervisor Signature" space, which would be an unauthorized signature.

Had the Auditor talked to Mr. Curtis, this issue could have been quickly clarified and possibly omitted from the report. The Board would note that there were other employees whose use exceeded their allotted minutes, and the School Board made appropriate adjustments or addressed the use with the involved employees in most instances

In any event, Mr. Curtis has since turned in the School Board cell phone. He now uses his personal cell phone for business purposes.

The lesson of this portion of the report is that the development of a workable cell phone policy is essential, and the Auditor's draft report is correct to that extent.

Capital Assets

This issue concerns two laptop computers purchased with the Superintendent's credit card for Westside Junior High. The Auditor's report states that Mr. Curtis purchased the laptops for his son and daughter for use at Westside. The implication is that the computers were bought for Mr. Curtis' son and daughter, personally. This portion of the report is simply not accurate in this regard.

What actually happened with the computers is this:

In or around September, 2005 Jeannie Roundtree in the School Board computer department was working on a pilot program with a laptop and a smart board for use in Mark Curtis' classroom at Westside Jr. High. Cline Peak was the principal at Westside at the time. The computer was ordered by the computer department to be shipped directly to the school. At that time, it was common practice for items to be ordered and shipped directly to the schools. All items now come through the warehouse and are tagged, but they didn't back then. When the computer arrived, the smart board came, but the laptop didn't. Mr Peak followed up with Ms. Roundtree, and emails were exchanged in an effort to locate the computer and find out what happened to it. The matter was brought to Mr. Warren Curtis' attention, and he worked with Ms. Roundtree and Mr. Peak to locate the laptop. The laptop was never located. Thus, Mr. Curtis went to Best Buy or one of the other local computer shops and bought a laptop for Mr. Curtis classroom. He also bought a laptop for use in another classroom at Westside in which Chastity Curtis, Mark's wife, taught. (Chastity Curtis is not Mr. Curtis' daughter as the draft report indicates). Mr. Curtis filled out a credit card expenditure form

with the purpose of the purchases, attached the receipts to them and gave them to accounting to document the purchase. Both of the laptops remained at Westside Jr. High until Mark Curtis transferred to Live Oak Middle for the 2005-2006 school year when the laptop and the smart board continued to be used in his classroom at Live Oak.

Basically, the records reflect that a request for the laptop computers had been made through the department that regularly buys computers for the System. There was a delay in ordering the computer, and as a result of the delay, Mr. Curtis purchased two computers with the Superintendent's credit card. However, the computers were purchased for the School Board for use at Westside Jr. High School or another school in the system. They were not purchased for any individual. The purchase was receipted and properly documented, except that they were not put on the Board's inventory list.

The Auditor's report is correct in saying that all school property ought to be included in the inventory of School Board assets. In that regard, the School Board began a comprehensive program several years ago to identify all assets of the School Board upon the recommendation of its local auditor, and the Board is confident that the process has resulted in the identification of virtually all of the assets in the System.

Bank Reconciliation

The Auditor's point is well-taken on segregating bank reconciliations, and the practices suggested in the draft report have been instituted.

Records Retention

This portion of the report discusses sign-out slips for employees. As described in the report, the slips are used by employees when they are entering or exiting the premises. According to the report, the slips are reconciled against leave slips and then disposed of once the accuracy of the leave form is verified.

Because the Auditor suggests in the draft report that throwing away the sign-out slips carries some kind of criminal implications, the Board has to be cautious in commenting on the report. However, it is hard to see how disposing of a sign-out slip intended merely to be checked against a leave form is much different from throwing away a phone message once the call has been returned.

Closing Comments

In closing, the Board, again, thanks the Auditor's Office for its work. The areas of disagreement in the report should not reflect a lack of support for the Auditor's work. The Auditor was working with unfamiliar records and is not acquainted with School Board personnel and the relationship between the local schools and the administrative office. Thus, some areas of disagreement should be expected. However, the Auditor's suggestions set out in the report and suggestions made during the

audit process were extremely helpful, and the School Board will learn from those suggestions and continue to improve its accounting procedures.

Respectfully Submitted By:

LIVINGSTON PARISH SCHOOL BOARD

BY: 
CAREY T. JONES, GENERAL COUNSEL

From: Sandra Brewer
To: Randy Pope
Date: 5/5/05 4:50PM
Subject: cell phone

Randy,

I really feel bad. I should have moved Mike's minutes up. He was going over for awhile and there were long distance charges so I moved him to 350 minutes nation wide. When I came here we had all the three top people at 250 minutes....during bass pro I changed it to 450 minutes for same price. I did not move Mike up to 450. Last summer I change Lavelle to 600 for the same price as 450 and gave him rollover. In the summer he uses a lot of minutes during construction but saves minutes during the school year.

If Mike is in trouble it is partly my fault for not moving him up again. We just had no procedure on who gets what and when someone would come to me and ask I would see if I could get more minutes for the same cost. I could have goe to 450 mintues for Mike with same costs. So, I guess I need to take some of the blame. I just didn't pay attention.

I got a new phone and at the time it was 1000 minutes for 39.99 GSM which was the same price as the 450 plan. That is what is on 405-1302. I rarely use it because I use my personal phone because I have 1000 minutes but I hated to cancel the number. When people go to trainings I give them my phone to use to call home. I can cancel it because I prefer to just carry my personal phone.

When I came here I think Mark had 1000 minutes...I reduced him. The techs had 100 but I made them 250 with rollover becaue that is the way the newer lines were because the 100 minute plan had gone away.

I have expressed my concerns over cell phones to you before. I just feel bad for not moving Mike up but he wasn't paying so I didn't do. I really feel bad.

Did you know that the auditors call and want all bills that are over and not paid....

Sandra Brewer
Director of Technology
Livingston Parish School Board
PO Box 1130
13909 Florida Blvd.
Livingston, LA 70754

Phone: 225 - 686-7044

ATTACH. A

3-14-03

M. Curtis

Please review your cell phone bill. If there are charges on the bill from personal use, attach a check to this signed form and return to Susan McDonald for payment. All call plans should be for 250 minutes with mobile to mobile free. Please note the number of minutes you are using.

Bill reviewed and verified by:

M 3-25-03

Return to Susan McDonald

I've one more month
or so & then we'll
decide -

PHF

ATTACH. B

LIVINGSTON PARISH SCHOOL BOARD
CELL PHONE BILL
(Please return within 5 days)

(3)

Date: 10-20-04

Mike Curtis :

Please review your cell phone bill. If there are charges in the **USAGE CHARGES** **DETAIL** area of your bill you may have exceeded your allotted minutes. If you have **ANY** personal calls on your cell phone, you will need to pay that **USAGE** amount. **PAYING CHARGES RESULTING FROM PERSONAL USE IS VERY IMPORTANT BECAUSE THE FEDERAL ERATE PROGRAM IS PAYING A PERCENTAGE OF LPSB CINGULAR BILL. IF/WHEN WE ARE AUDITED THE LPSB AND YOU CAN BE HELD ACCOUNTABLE FOR INELIGIBLE CHARGES.**

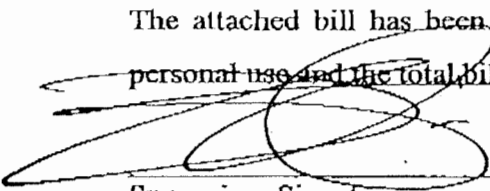
I have reviewed the overage charges in the amount of \$16.20 on the attached bill. I have attached a personal check in the amount of _____ for non-business related charges. (Please attach a check to this signed form and return to Susan McDonald by the 29th of the month. The check should be payable to the Livingston Parish School Board.)

Signature

OR

Exception:

The attached bill has been reviewed and justified; none of the excess charges are for personal use and the total bill should be paid by Livingston Parish School Board.



Supervisor Signature

****ALL FORMS MUST BE RETURNED. Records are maintained for 5 years for auditing purposes.**

REV: 10/18/04

ATTACH. C

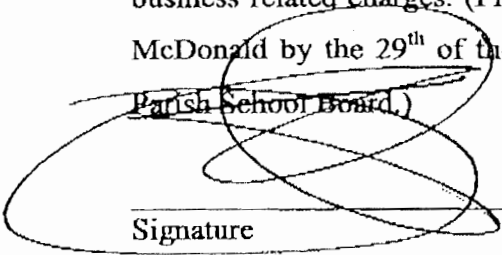
686-0438

LIVINGSTON PARISH SCHOOL BOARD
CELL PHONE BILL
(Please return within 5 days)

Date: 1-19-05Nike Curtis :

Please review your cell phone bill. If there are charges in the **USAGE CHARGES** **DETAIL** area of your bill you may have exceeded your allotted minutes. If you have **ANY** personal calls on your cell phone, you will need to pay that **USAGE** amount. **PAYING CHARGES RESULTING FROM PERSONAL USE IS VERY IMPORTANT BECAUSE THE FEDERAL ERATE PROGRAM IS PAYING A PERCENTAGE OF LPSB CINGULAR BILL. IF/WHEN WE ARE AUDITED THE LPSB AND YOU CAN BE HELD ACCOUNTABLE FOR INELIGIBLE CHARGES.**

I have reviewed the overage charges in the amount of \$101.49 on the attached bill. I have attached a personal check in the amount of _____ for non-business related charges. (Please attach a check to this signed form and return to Susan McDonald by the 29th of the month. The check should be payable to the Livingston Parish School Board.)


Signature**or**Exception:

The attached bill has been reviewed and justified; none of the excess charges are for personal use and the total bill should be paid by Livingston Parish School Board.

Supervisor Signature

****ALL FORMS MUST BE RETURNED. Records are maintained for 5 years for auditing purposes.**

ATTACH. D